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# MONTHLY REVIEW

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## 'HAT EVERY AMERICAN SHOULD KNOW ABOUT FORMOSA

## AGONIZING REAPPRAISAL"— F HISTORY

LEO HUBERMAN

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## NOTES FROM THE EDITORS

We have always been quite frank in exposing and explaining MR's problems to its readers, and we intend to continue that way. Our chief concern at present is that during the last few months there has been a slight but persistent net decline in circulation. This comes at a time when, if only for financial reasons, we need a steady *increase* in circulation. We have tried various circulation-building devices in the past and have found that, when all is said and done, most new subscribers are brought in by old subscribers. We have also found that a new subscriber who pays his or her own way is much more likely to stay with us than one who receives a sub as a gift. May we, in all seriousness, ask each and every one of you who believes that it is important to keep MR going and growing to make it your responsibility to sell (*not* give) one sub between now and the appearance of the April issue? As an added incentive, during this period we will give one copy of Darel McConkey's book *Out of Your Pocket* to every old subscriber who sends in a new sub.

(*continued on inside back cover*)

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# WHAT EVERY AMERICAN SHOULD KNOW ABOUT FORMOSA

> *If you live among madmen you may sooner or later begin to accept their delusions as real. The only way to save yourself is to stop every so often and have a look at the sober facts of the real world.* ("What Every American Should Know About Indo-China," MR, June, 1954, p. 50.)

The American people is being even more systematically misled and incited on Formosa than it was on Indo-China. It is being duped into believing that China is an aggressor and that America is pursuing in self-defense what is clearly a rabidly provocative course of action. A brief recital of the main facts is, therefore, imperative for a common-sense appraisal of the present situation.

## Historical Background

The Chinese have been the principal inhabitants of Formosa (or Taiwan, to give it its Chinese name) for many centuries, and it was under Chinese jurisdiction before 1600. Both Dutchmen and Spaniards seized bases in Formosa in the 17th century; but the Dutch drove out the Spaniards in 1642 and were themselves driven out—not however, before they introduced opium smoking—in 1662. The Manchu dynasty established suzerainty over the island in 1683. During the 19th century, several imperialist powers cast covetous eyes on it. Both Commodore Perry and British Consul-General Swinhoe advocated its annexation,*[1] and sporadic British and American naval landings occurred.

The Japanese attempted an abortive invasion in 1874, while the French temporarily occupied some coastal towns in 1884-1885. Finally, Formosa was annexed by Japan in 1895 as part of the loot accruing from the Sino-Japanese War. There was widespread revolt on the island upon receipt of the news of the Treaty of Shimonoseki. The ceremony of formal transfer to Japan took place in June 1895 on board ship outside Keelung, the Manchu Government Commissioners

* *References will be found at the end of the Review of the Month.*



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not daring to land. And the Japanese conquerors could not even set foot on shore for four months after this transfer. "Insurrections occurred frequently, the insurgents receiving secret aid from sympathizers in China."[2] It should be unnecessary to add that the Treaty of Shimonoseki is itself irrefutable evidence that Formosa was Chinese territory when the Japanese stole it by *force majeure*.

It is now fashionable among American historians to hail Japanese rule over Formosa as having been progressive as well as efficient. Actually, it was as repressive and coercive in Formosa as it was elsewhere. The Japanese enforced tight police controls, one by-product of which was census records more accurate than those in their own country. Japanese was the official language and the only legal medium of instruction. Formosa was developed primarily as a rice and sugar granary, 50 percent of the annual production of the former and almost all of the latter being exported to Japan. The profits of Japan's cut-rate imperialism went into the Japanese monopolists' pockets. Naturally, the exploitation of the island's people and resources demanded the building up of communications, public utility facilities, and the like, for which, however, the Chinese inhabitants paid. It is true that the average life-span was lengthened, but this was a by-product of the hygiene measures introduced by the Japanese primarily for the protection of their own settlers. Moreover, systematic exploitation required a big increase in population, which more than doubled (to over 6 million) between 1895 and 1945. No survey, however perfunctory, of Japanese imperialism should omit two important points. First, the Chinese hated the Japanese yoke, and resistance aimed at reunion with the mainland was never wiped out. Second, the Japanese consciously preserved the feudal social framework and left behind a most backward landlord-tenant system.

Formosa's future status was *unequivocally* defined in the course of World War II. In March 1943, FDR informed Eden that he favored the *return* of both Manchuria and Formosa to China, and there was no British dissent either then or later.[3] The Cairo Declaration of December 1, 1943, solemnly affirmed: "All the territories Japan has stolen from the Chinese, such as *Manchuria, Formosa, and the Pescadores,* shall be restored to the Republic of China." (Emphasis added.) In a broadcast after his return to the United States, Roosevelt explained that the Cairo Declaration's operative principle was the simple one that stolen property should be restored to its owners.

The Cairo decision was reaffirmed at Potsdam on July 26, 1945, Russia concurring. "The terms of the Cairo Declaration shall be carried out." On September 2, 1945, Japan signed the Instrument of Surrender, and Chinese forces took over Formosa. The formal local surrender ceremony took place on October 25 after Chinese Governor Chen Yi's arrival.



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## The Uprising of February 28, 1947

Chiang Kai-shek made one of the worst of the many blunders in his career when he appointed Chen Yi (not to be confused with the Vice-Premier of the People's Republic of the same name) to the post of Governor of Formosa. From 1934 to 1941, he had been Governor of Fukien, a position he had vacated in unsavory circumstances. His wife was Japanese and he was well-known as a leading member of the pro-Japanese clique in the Kuomintang, so that, apart from anything else, his assignment to a territory just liberated from Japan was the height of tactlessness. He and his gang of carpetbaggers proceeded to plunder Formosa on a once-for-all basis. Within a few weeks, the popular verdict was: "The dogs go and the pigs come." George Kerr, who taught in Formosa until 1941, and later became Assistant United States Naval Attaché detailed to Formosa and then Vice-Consul at Taipei until March 1947, has written a graphic account of Chen Yi's misrule:

> Capital assets, if movable or saleable, began to vanish. . . . Permits were needed to move goods, to sell them, to legalize internal sales, arrange internal credits, and so on. . . . Bubonic plague and cholera appeared for the first time in fifty years. . . . UNRRA supplies as distributed in Formosa also proved profitable to the men from the mainland. . . . The major causes of . . . disintegration were the stripping of factories of equipment and of capital-goods, the drain of the treasury to pay off the horde of carpetbaggers, the dismissal or by-passing of competent, trained Formosans, and nepotism.[4]

Chen Yi had *nine* police organizations to keep the people in hand. Discontent culminated on February 28, 1947, when the soldiery machine-gunned a demonstration protesting against the beating of unlicensed hawkers. In the next two days the Governor lost effective control and, to gain time, opened negotiations with a committee of conservative local leaders. But behind their backs he appealed to Chiang for troops, of whom some 50,000 to 70,000 were sent, the first arriving on March 7. The aftermath is best described by Kerr:

> Approximately ten thousand Formosan-Chinese men and women were slaughtered. . . . Members of the committee [negotiating with Chen Yi] were among the first to be sought out and killed. . . . From the capital the pattern of massacre spread throughout the island . . . there was indiscriminate bayoneting and shooting in the streets and rape and robbery during house to house search; leading citizens were seized, including lawyers, editors, doctors and business men. Houses were searched for middle school and university students; if listed students were absent, father and brother were seized. More than 700 students were reported to have been killed or made to disappear before



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> March 17, students being anathema to Chen Yi. . . . Roadside ditches and riverbanks were strewn with bodies which families dared not approach.[4]

Chiang defended Chen Yi's record in a speech made *after* the uprising. And Han Li-wu, one of Chiang's penmen, passes over it in his guidebook to Taiwan as follows: "There was one unfortunate incident on February 28, 1947."[5] Is it surprising that the Kuomintang has been called a machine for the manufacture of Communists?

Formosa was out of the news for nearly two years. In May 1947, Wei Tao-ming, ex-Ambassador to Washington, replaced Chen Yi as Governor, although retaining a number of the latter's henchmen in key posts. If the army of occupation was reduced, the secret police was increased, and no fundamental changes were instituted. In the officialese of the United States White Paper on China: "Although it cannot be said that economic conditions improved, it can be said that the situation did not become measurably worse."[6] However, people visiting the island reported seeing "slogans such as *Support Mao Tse-tung, Capture Chiang Kai-shek alive,* and *Welcome the People's Liberation Army,* painted on bridges and railway stations, electric light poles. . . ."[7]

As the death-rattle of Chiang's regime became audible to the deafest, Formosa also began to acquire a new importance not only as Chiang's last base but even more as a pawn in American foreign policy and military strategy. By the time the Kuomintang was finally expelled from the mainland, between 1 and 1.5 million of his civilian followers and about 600,000 troops, mostly of dubious quality, had fled to Formosa. In preparation for his arrival, Chiang had summarily designated his least disloyal general, Chen Cheng, as Governor in January 1949, when military rule was again imposed. Chiang had nominally retired at the same time, ostensibly "to sweep his ancestors' tombs," but had kept control of the pursestrings—to the tune of $200 million in gold and foreign exchange—and of such armies as had not melted away. On December 8, 1949, the Kuomintang rump formally moved to Taipei. On March 1, 1950, Chiang re-appointed himself President in accordance, so he said, with the "people's will," a subject on which he is an acknowledged specialist. Left to himself, he could not have survived for long, a judgment on which all observers, of whatever nationality or shade of opinion, are agreed.[8]

### American Policy 1949 — June 1950

America soon began to play a more and more aggressive role with respect to a territory which is Chinese, not American. According to Dean Acheson's testimony at the MacArthur Hearings in June



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1951, American policy from October 1948 to June 1950 was based on the double thesis that "Formosa had strategic significance as far as the United States was concerned" and that this significance was essentially negative; that is, it was not important for the United States to have or control Formosa itself, but it was important that it should not be in unfriendly hands.[9] *But this testimony is in flat contradiction with a whole series of White House and State Department documents and statements of December* 1949 *and January* 1950. Either Acheson was covering up in June 1951, or else the pronouncements of the winter of 1949-1950 were hypocritical eyewash. *Tertium non datur.*

The most famous of these documents was the secret United States Information Service directive entitled "Policy Information Paper—Formosa" and dated December 23, 1949, which was declassified and published at the MacArthur Hearings in 1951. Its essential points are as follows (emphasis added throughout):

(1) *"Formosa, politically, economically, and geographically is part of China. . . . Politically and militarily it is a strict Chinese responsibility."*

(2) "Loss of the island is widely anticipated, *and the manner in which civil and military conditions have deteriorated under the Nationalists* adds weight to these expectations."

(3) *"Formosa has no special military significance."* There is current in America "a mistaken popular conception of its strategic importance to United States defense in the Pacific."

(4) The United States has no "special interests in" or "designs on" the island or any military base in Formosa. *"Seeking United States bases in Formosa, sending in troops, supplying arms, dispatching naval units . . . would . . . involve the United States in a long-term venture producing at best a new area of bristling stalemate, and at worst possible involvement in open warfare. . . .* Communists . . . charge the United States with *conspiring to build the island into a fortress to be taken over by the United States . . . thereby trying to brand the United States with the mark of aggressive imperialism."*

(5) "Avoid statements that Formosa's final status still is to be determined by the Japanese Peace Treaty"—a statement which surely implies that at that time *the State Department regarded Formosa's status as already finally settled.*[10]

These statements speak for themselves. They give the lie direct to the proclaimed grounds of present American policy and are a classical example of how the direst interpretations and predictions of the trend of American policy, stoutly denied by official spokesmen at the time as unscrupulous Communist propaganda, have subsequently been confirmed down to the last dotted "i" and crossed "t." The



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United States government has condemned itself out of its own mouth. In its own words, it has *branded itself* "with the mark of aggressive imperialism" and has *involved itself* "in a long-term venture producing at best a new area of bristling stalemate, *and at worst possible involvement in open warfare.*" And all in a territory which "politically, geographically and strategically is part of China," which "is a strict Chinese responsibility," and which, to boot, "has no special military significance."

The USIS directive cannot be dismissed as the illegitimate child of some irresponsible individual bureaucrat. In more restrained language, President Truman explicitly made points (1), (4), and (5) in a statement released on January 5, 1950, and thereby at least implied points (2) and (3), too. And Dean Acheson provided glosses at a press conference on the same day and in a speech a week later. It is hard to imagine more ironical reading today than Mr. Acheson's statement at the January 5th press conference:

> The Chinese have administered Formosa for four years. Neither the United States nor any other ally ever questioned the authority of that occupation. . . . We are honorable and decent people. We do not put forward words, as propagandists do in other countries, to serve their advantage, only to throw them overboard when some change in events makes the position difficult for us.

By this time, China had become a major *internal* political issue in the United States. China's liberation was undoubtedly the most severe setback the American ruling class had yet received, and as such it left a deep trauma. The Republicans were making it their major line of attack on the Democratic administration, sedulously propagating the childish fable that Chiang's defeat was due not to irreversible historical forces operating within China but to ineptitude, if not treason, in Washington. The China Lobby was having its hour of glory. Hoover and Taft were calling for the Navy's "defense" of Formosa. In these circumstances, Truman pursued a policy of relatively cautious, but nevertheless uncompromising, opposition to the People's Republic. The United States continued to recognize the Chiang regime, daily becoming more and more of an American puppet, as "the Republic of China," and extended it economic *and*—despite public statements to the contrary—*military* aid.[11] At the same time, it treated the Peking government as untouchable, ostensibly on the ground that it was "waiting for the dust to settle," to use Acheson's phrase. Hoping for the "best," or, in other words, for internal crises and uprisings on the mainland, it expected the "worst,"—the reunion of Formosa to China.



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## The Immediate Repercussions of Korea

The outbreak of Korean hostilities precipitated an intensification of America's anti-Chinese policy, reflected in progressively more overt aggressive measures and in ever more specious rationalizations. On June 27, 1950, Truman ordered the Seventh Fleet to the Formosa Straits in order to protect Chiang Kai-shek:

> The occupation of Formosa by Communist forces would be a direct threat to the security of the Pacific area and of the United States forces performing their lawful and necessary function there. Accordingly, I have ordered the Seventh Fleet to prevent any attack on Formosa. As a corollary of this action, I am calling on the Chinese Government [that is, Chiang Kai-shek] to cease all air and sea operations against the mainland. The Seventh Fleet will see that it is done. The determination of the future status of Formosa must await the restoration of security in the Pacific, a peace settlement with Japan and consideration by the United Nations.

It should be noted, in the first place, that Truman acted *before* the Chinese were in any way involved in the Korean hostilities. Second, Truman's action and statement were *unilateral*. No major ally associated itself with them; on the contrary, Britain, Australia, and Canada protested, albeit feebly, and India and other Asian nations more vehemently. Third, the so-called neutralization of the Formosa Straits was a piece of blatant hypocrisy. Chiang—with American-provided planes and American-provided ships—continued his spite raids on the mainland and his acts of piracy on the high seas, from the latter of which Britain seems to have been the main sufferer (of 64 foreign vessels attacked, detained, or robbed to date, 44 have been British). Finally, Truman's attitude to Formosa's legal status is reminiscent of that of the Western sheriff who said that whatever he shouted loudly enough was "the law." His stand was utterly inconsistent with his own statement of January 5 and with Acheson's accompanying commentaries.

China's response was immediate and unequivocal. On July 6, Chou En-lai said of Truman's action that "it constitutes an act of open aggression which openly violates the principles of the United Nations Charter (Article 2, Paragraph 7), forbidding any member to use force against the territorial integrity or political independence of any other state. . . . Despite any military steps or obstructions taken by the United States government, the Chinese people are irrevocably determined to liberate Taiwan without fail." This stand he repeated in a cable to Trygve Lie on August 24, 1950, and many times since. Most Americans have already forgotten that the occasion of China's sole appearance before the Security Council in November 1950 was *not* the Korean hostilities but the charge of United



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States aggression in Formosa, a charge which on the face of it is in accord with the criteria set forth in the USIS directive of December 23, 1949.

On August 25, 1950, Warren Austin, United States representative on the UN Security Council, argued that Truman's unilateral action was "an impartial act of neutralization," and that America was not prejudging the island's legal status. Two days later however, General MacArthur, then American *and* UN Commander in Korea, in a message to the Veterans of Foreign Wars, called Formosa "an unsinkable aircraft carrier," entities that, so far as we are aware, are hardly ever neutralized and the ownership of which is generally not subject to dispute. Truman tried to undo the damage in a letter the next day to Austin but only succeeded in making matters worse by reversing his January 5th position. He now justified the Seventh Fleet instruction in terms of the Korean situation (as he had in June) and repeated that "America has no designs and no desire to acquire a special position" on the island. He then proceeded to argue, however, that Formosa's "actual status is that it is a territory taken from Japan by the victory of the allied forces in the Pacific. Like other such territories, its legal future cannot be fixed until there is international action to determine its future status. The Chinese government was asked by the Allies to take surrender of the Japanese forces in the island. This is the reason the Chinese are there." The legal argument simply doesn't hold water, as we shall see. And the explanation of the presence of Chiang's soldiery could have been used with equal cogency to argue that Chiang had a right to occupy northern Vietnam which the Allies had also asked the Chinese to take over in 1945!

On August 29, 1950, Truman asserted that the Seventh Fleet would be withdrawn upon the termination of hostilities in Korea. There has been a truce in Korea for nearly two years now, and America has not only not withdrawn the Seventh Fleet, it has "involved itself" more and more actively "in a long-term venture producing at best a new area of bristling stalemate, and at worst possible involvement in open warfare." The Joint Chiefs of Staff made it abundantly clear at the MacArthur Hearings that they were going to hang on to Formosa as long as they possibly could, although at the same time, in contradistinction to MacArthur, they testified that it was important (what area isn't?) but not indispensable to the defense of the United States.

### Formosa Becomes an American Satrapy

Economically, politically, and militarily, the Chiang regime could survive at most a few weeks or months if left to its own devices. In



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isolation from the mainland, it is not economically viable, and still less so when "a military establishment has to be maintained, largely on the basis of the island's productivity," and when "a large refugee population poorly fitted into the economy as a whole, and therefore substantially underemployed, must be supported."[12] Since well over half of Chiang's expenditures are for military purposes, paper currency inflation is inevitable. Before World War II, Formosa had surpluses of 800,000 tons of rice and one million tons of sugar; since 1945, these have never exceeded 150,000 and 750,000 tons respectively.

The much-touted land reform, according to the apostolic Ladejinsky formula for abolishing landlordism without abolishing either the political or economic power of the landlords, has been a fiasco. In the first six months of the initial land reform of 1949, *537* acres of land were sold.[13] The tenants simply did not have the money to buy. And when more land was sold—not to tenants—"the tenants lost their rights of tenure as the land changed ownership."[14] Norton S. Ginsburg, who is an American geographer specializing in the Far East, is by no means unsympathetic to the existing set-up. Nevertheless, he reports that when land is transferred to the former tenant, he acquires an additional burden of taxation; that all schemes are administered from above; that the landlords' influence in the rural areas has *not* diminished; and that all recent and current land reform programs are similar to those initiated by the Japanese. An American sociologist assigned to JCRR (Joint Commission for Rural Reconstruction, a Sino-American body) wrote in 1954 that "at present it is difficult enough in Taiwan to gain subsistence alone," and that "present economic conditions have stifled production."[15]

There is no need in 1955 to revise Ginsburg's somber 1953 conclusion: "it is clear that the achievements in the past four years have been in the nature of a holding operation against disintegration and possible economic collapse."[16] This holding operation has cost America $100 million a year in the way of economic aid, a sum barely covering the annual import deficit. Politically, it can hardly be news that Chiang Kai-shek has not changed his spots. Formosa is a police state with 25,000 secret police in the armed forces. Ching-kuo, Chiang's oldest son, bosses the security establishment, which, in addition, includes the Military and Municipal Police, the Peace Preservation Corps, and the Foreign Affairs Police, not to mention a counter-espionage organization with agents in London and New York.[17] They have the power of summary execution without trial, and no Chinese dares challenge Ching-kuo's authority. There is no democracy or freedom in any of the numerous senses known to political science. Formosans are treated as second-class subjects. Speculation, bribery, fixing, and corruption are rife, with the familiar "yellow oxen" (the Chinese expression for black market touts and racketeers)



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employed to swell the party coffers. Inevitably, "the Nationalist regime is locally detested."[18]

But make no mistake. If it is the Chiangs who misrule the Formosans, it is the United States which rules the Chiangs. In the words of Fernand Gigon, *Le Monde* correspondent who was in Formosa as recently as late January, "Karl L. Rankin, United States Ambassador [is] practically master of the island after Buddha—and before Chiang Kai-shek."[19] MAAG, the United States Military Advisory Assistance Group, supervises and trains Chiang's armies. A Mr. J. G. White supervises and constructs the roads, the public utilities, and new engineering enterprises, especially if they are for military purposes. The Foreign Operations Administration provides the dollars with which White, among others, is paid, and controls the counterpart funds. And "in effect, JCRR has taken over a substantial share of the functions which the Japanese had performed for Formosan agriculture. . . ."[20]

Militarily, not more than half of Chiang's 500,000 soldiers are front line, and at least a quarter are needed to garrison the populace. Their average age has been variously computed as 27 or 30, but in any case it is generally agreed that they are not of much use except for defensive rearguard action. In other words, Chiang's armies are a wasting asset, insofar as they are an asset at all. General Pai Chung-hsi, the Kwangsi warlord who deserted his partner Li Tsung-ren for Chiang Kai-shek, informed the Englishman Bate in 1951 that "it is not practical to recruit Formosans *en masse,* nor would it be politic to do so."[21] The Formosans, conscripted since 1951, become army coolies and truck, scraper, and tractor drivers and are rarely trusted with arms. The Formosan attitude is best attested to by the fact that "several thousand young men 'vanished' from the registration system between 1950 and 1951."[22] And, perfect Chiang touch, this motley crew is led by 800 generals and a fantastic number of colonels. The army, in short, is obviously incapable of recapturing the mainland, aided or unaided. It is like the proverbial flea aspiring to rape an elephant.

Nevertheless, this military establishment costs the American taxpayer some $200 million a year in military aid. Those soldiers who are armed and trained are so only by the grace of MAAG and Uncle Sam. "Only their voices are Chinese. All else, uniform, instructions and equipment, is American."[19] Yet the material is modern, including many secret items the Defense Department is trying out.

The Seventh Fleet needs no introduction. But its collusion and connivance in dubious activities on the high seas are less widely known. "A seaplane detached from the Seventh Fleet flies over [boats leaving Hong Kong] and identifies them, especially if they are mak-



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ing for a Red Chinese port. The boat is shortly afterwards hailed by the Nationalist fleet, which wishes to verify its cargo."[19]

The Seventh Fleet and MAAG are not the only American military outfits on or near Formosa. According to Gigon, the Central Intelligence Agency, under the name of Western Enterprise, employs 170 to 180 agents on the island, where it has functioned since the beginning of 1953. In view of the cloud of obscurity enveloping CIA, it is perhaps worthwhile quoting Gigon in some detail:

> At Tachen they have photographic apparatus with which they can sound the continental beaches with a maximum of indiscretion. They have perfected radars putting them into permanent touch with the lives of Communist fishermen. Many visual and aural instruments of detection are tried out for the first time by Western's specialists.
>
> On arriving at Shungshan, the Taipei airport, one can see five or six white aluminum planes on a secondary track. They carry no flag, no indicator, no cockade, and none of the letters which are a plane's birth certificate. They are as naked as newborn babes and belong to Western, which uses them for low flying over land and sea.
>
> These are the Catalinas which will perhaps figure in the Hsinhua Red [news] agency communiques under the designation of "unknown": "airplanes of unknown nationality, but thought to be American, have violated the aerial space of Shanghai."
>
> In the affair of the three tankers stopped by the Nationalists on the high seas, Western was present at the time of interrogation. From behind closed doors, it prompted the questions asked of the Polish and Russian sailors. . . . The one thing in which it really succeeded was to put Formosa on the bench of the accused, under the aegis of the United Nations, for the crime of piracy.
>
> . . . In the sphere of psychological warfare and counter-espionage, they use Chinese elements who are trained prior to being let loose on Kwangtung or the Yangtze approaches. But this method does not pay. Only two or three percent of the agents released on Red territory conclude their missions. . . . On the technical level, Western Enterprise functions perfectly. Its headquarters has 50 cars and antennas and instruments of detection of whose very existence *Popular Mechanics* and *Science For Everybody* are unaware.[19]

After describing the operations of Western Enterprise, Mr. White, MAAG, FOA, et al, Gigon concludes: "The Americans in Taiwan crown (*coiffent*) the whole life of the island." Or, as the Washington correspondent of the *London Times* (February 2, 1955) puts it: "It might be thought that in some aspects the United States position could not be more medieval if it had created General Chiang Kai-shek Grand Duke of Formosa and continued to recognize him, for purposes of protocol, as King of China."



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**The Present Crisis**

One of Eisenhower's first Presidential acts was "to take the wraps off Formosa," thereby at least ending the farce of neutralization. This step, however, made no difference in fact. It did not augment Chiang's capabilities for invading the mainland. He was already performing piracy on the high seas and conducting nuisance raids on the mainland, raids which have continued off and on for over five years. While American intervention and aid were stepped up, the basic position remained hopeless. It was mathematically certain that Chiang's regime would keep on botching anything it touched; and with the lapse of time Formosa was bound to be re-united with China, where it belonged. Time was not on the American side, and if Formosa was to be saved, something desperate had to be done.

Walter Lippmann underlined this point when he wrote (*Herald Tribune,* February 7): "A dominating consideration is the knowledge that the regime in Formosa is fragile." In fact, this is essential to an understanding of the belligerent character of recent American measures, beginning with the President's January 24th request to Congress. Said the President: "In the interests of peace [!!!] . . . the United States must remove any doubt regarding our readiness to fight, if necessary, to preserve the vital stake of the free world in a free Formosa and to engage in whatever operations may be required to carry out that purpose." This, together with the accompanying instructions to and strengthening of the Seventh Fleet, was an unprecedentedly provocative course of action to adopt in peacetime. Senator Flanders' response—"this is preventive war"—was entirely appropriate, though it did not prevent him from voting with the majority on the Senate Resolution. And the *Manchester Guardian* accurately reflected *all* European opinion in entitling its editorial on Eisenhower's message "Gross Blunder."

According to Robert Guillain, Far Eastern correspondent writing in *Le Monde* at the end of January, the immediate prelude to Eisenhower's message to Congress was Chiang's request for overt American military participation in the defense of the Tachen Islands, which had become otherwise untenable after the fall of Yikiangshan on January 19th. This thesis gains plausibility in the light of the subsequent evacuation of the Tachens—an evacuation which was carried out with the full panoply of the Seventh Fleet on a war footing, just as though Soviet Foreign Minister Molotov had not stated a few days earlier: "If Chiang Kai-shek should wish to withdraw his forces from any islands, hardly anyone will prevent him from doing so."

The leaders of the war-with-China-now school, including Radford, Nixon, Robertson, and Dulles, fought the Geneva settlement of the Indo-China question to the last ditch and had advocated Ameri-



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can participation in the defense of Quemoy last September, only to be overruled by Eisenhower. This group believes that in ten years no power on earth will be able to defeat China, that therefore the job must be attempted within the next few years, and the sooner the better. To them, Eisenhower's decision in September 1954 was only a temporary setback, and they are determined to exploit every opportunity to achieve their goal. The President's message of January 24th was an unmistakable victory for them and, indeed, appears to have been drafted in the office of Walter Robertson, Assistant Secretary of State for the Far East and one of this group's principal protagonists.[22a] It must be remembered that they favor going it alone, if necessary, apparently basing their hopes on the assumption that Russia would not enter a war started by America against China. Only this assumption makes sense, if one can make any sense at all, of the present brandishing of atomic weapons in the Pacific, China, incidentally, being of all major powers the one least vulnerable to atomic attacks.

### The Issues

It behooves Americans to be absolutely clear on the issues in Formosa—legal, military-strategic, moral, and political.

The *legal* issue raises three distinct questions. First, there is the question of the status and force of the Cairo and Potsdam Declarations. On February 1, Winston Churchill asserted that Cairo, and therefore Potsdam, "contained merely a statement of common purpose."[23] The precedents of international law, insofar as they have any authority, demonstrate the exact opposite. Professor Lauterpacht, who is Professor of International Law at Cambridge and who represented the Anglo-Iranian Oil Company at the Hague Court, writes in the eighth edition of *Oppenheim's International Law* (p. 788):

> Official statements in the form of reports of conferences signed by the heads of States or Governments and embodying agreements reached therein may, in proportion as these agreements incorporate definite rules of conduct, be regarded as legally binding on the States in question. The reports of the conferences of the heads of Government of Great Britain, the United States, and Russia at Crimea in February, 1945, and at Potsdam in August of that year may be mentioned as examples.[24]

As the Potsdam Declaration specifically states that the terms of the Cairo Declaration shall be carried out, it follows that for this purpose Lauterpacht's designation of Potsdam applies to Cairo too.

According to the French jurist, Marc Frankenstein, "There is . . . no problem in relation to Formosa's juridical status; the Cairo and Potsdam international agreements and the Japanese surrender



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have obligatory force. . . .[25] Both the *New York Times* (January 30) and Eden in a written answer to a Parliamentary question on February 4 quote the operative Cairo sentence (see p. 386 above), *deliberately omitting "Manchuria."* This omission reveals more than it hides. The status of Formosa is no different from that of Manchuria. As Manchuria is Chinese, so is Formosa. Eden's statement that "the *de jure* sovereignty [over Formosa] is uncertain or undetermined" is the diplomat's way of saying that America does not have a legal leg to stand on.

The second question concerns the form of restitution of stolen property. Philip Jessup has argued that the transfer of territory requires a solemn act in the form of a treaty for its legal consummation and that, therefore, Formosa's legal status is still unsettled.[26] This is to put the restitution of Formosa on a par with the *voluntary* transfer of real property under private law. In fact, Japan robbed China of Formosa, and the return of stolen property does not need a "solemn act," endorsed by both robber and robbed, for its validation. To Marc Frankenstein, Formosa in 1945 constitutes a precise analogy to Alsace-Lorraine in 1918. The latter became French territory, *de jure* as well as *de facto,* immediately upon the signing of the Armistice and *before* the signing of the Treaty of Versailles; and the formal consummation of the Japanese surrender parallels the Armistice in this respect.[27]

Finally, there is the question: *Which China?* The United States, alone of the major powers, continues to recognize Chiang Kai-shek as the President of "the Republic of China," and there is nothing to prevent it from playing Canute indefinitely. The rules of international law with respect to external recognition of a revolutionary change of power—there have been many in China in this century, Chiang Kai-shek himself having been in one—are necessarily vague, although they become less vague the longer the new revolutionary power becomes established. What is *not* vague is that the determination of *internal* sovereignty is an *internal* question, in which neither the United States nor the United Nations has any right to intervene. The conflict between Peking and Chiang Kai-shek is an internal conflict. To quote Marc Frankenstein again: "Formosa, being juridically a Chinese territory, which rests within China's national competence, *no foreign state has the right to interfere in matters concerning this territory,* and the United Nations cannot discuss the alleged question of its status *under pain of infringing Article 2, Paragraph 7, of the Charter.*"[28]

As for the *military-strategic* issue, in the long run Formosa is irrelevant to United States strategy for one simple reason. It is only 100 miles from the mainland and, therefore, immediately vulnerable



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to planes stationed less than a quarter of an hour's flight away. Such a forward base is clearly useless over any length of time. Apart from this consideration, it may help our sense of proportion if we recall that neither Japan's nor Chiang's retention of Formosa saved them from overwhelming defeat.

In the short run, Formosa is irrelevant to the *defense* of America for another simple reason—it is separated from the United States by 6,000 miles of Pacific Ocean, an ocean free from any possible rival navy since VJ-Day. And in any case, only the most obtuse can fail to see that *any* argument for America's need for Formosa for defensive purposes is exposed to a devastating Chinese reply. The only strictly military use of Formosa to the United States would be for purposes of *offense* in a blitzkrieg against China. It could not be held for long against local Chinese air superiority and against parachute troops, and the Formosa Straits would become a deathtrap for any fleet daring to operate there. But for a very short time it would be a convenient base for air attacks on the mainland.

Let Walter Lippmann, who cannot be considered unduly averse to "realistic" policies in the realm of international relations, be the judge of the *morality* of basing policy on military-strategic considerations. To argue as the President did in his message to Congress, wrote Lippmann in his *Herald Tribune* column of January 24th, is to "take it for granted that we have a unilateral right to intervene in foreign territory for strategic reasons—that the controlling principle of our policy is not law but strategy. This, to give it its true name, is militarism." Quite so.

*Politically*—and this is the crucial issue—it is not difficult to fathom the rationale of the administration's Formosa policy. For one thing, it serves to heighten international tension, and in the last resort Formosa can be used as a *casus belli,* a course undoubtedly favored by the war-with-China-now school. For another, the continuance of Chiang's regime serves as a constant threat, or rather irritant, to China and, at the same time provides a convenient alibi for China's exclusion from the United Nations. Finally, it is claimed, the reunion of Formosa to China would be a terrible political and psychological blow to the United States and its influence in Asia. How terrible it is not for us to say, although a blow which was discounted as long ago as December 23, 1949, can hardly be as dire as all that. But in any case, the logical inference is *not* that America should attempt to maintain impossible positions of weakness at the risk of war, but rather that if America insists on making "positions of strength" out of positions of desperate weakness, it is bound to meet reverses. The longer it adheres to such positions, the more it alienates its allies, the more it isolates itself, and the more it ensures even bigger reverses later.



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There are, fortunately, signs that the warmongers are running into difficulties and that the less imprudent members of Eisenhower's entourage are becoming fearful of the revulsions, both at home and abroad, from American provocations against China. The American people is opposed to adventurism. Its feelings have been manifested, obliquely, in protests and reservations of a number of Democratic Senators who are reported to be receiving a surprisingly large amount of popular support. Eisenhower has disconcerted many of his most ardent admirers by moving so close to the Radford-Knowland line, but the point of no-return has not yet been reached. There is still time to turn back towards peace and sanity.

And so we end with the same words we used in ending our recitation of the facts about Indo-China: There never has been and never will be a clearer case than Formosa. The time for decision is now. Let everyone who cares about the future of our country stand up and speak out today. Tomorrow may be too late.

## THE FALL OF MENDES-FRANCE

The French system of government operates according to laws of its own. Normally, the ministry in power rests on a purely parliamentary coalition. It comes to power, sets its course, and goes down to defeat according to the combinations and permutations of personal and political interests of a handful of professional politicos. It is their calculations that lead to the familiar merry-go-round of prime ministers and cabinets.

But on occasion, extra-parliamentary forces intrude into the picture. A crisis of one sort or another shakes the French people out of their political lethargy, and popular moods and drives penetrate into political parties and legislative assemblies. Under such conditions, politicians who are capable of rising above the dead level of the party hack have an opportunity to create new majorities, constructed on different principles and animated by different purposes from those of the normal party coalition. During such periods, log-jams get broken, essential reforms are introduced, things get done. But in the course of time, and for one reason or another, the spell is broken: the temporary leader loses prestige, the extraordinary majority falls to pieces, and the pieces once again begin to arrange themselves under the aegis of the hacks.

The rise and fall of Mendès-France illustrates all this to perfection. Long rejected by the professionals because he was both more



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intelligent and more honest than they, Mendès-France consciously groomed himself for the opportunity he knew a crisis would sooner or later open up to him. It came last spring, over Indo-China, and he rose to the occasion magnificently. An altogether new, and indeed unprecedented, majority formed around him, and he made sweeping promises of a new deal in all phases of French life. For a time, Mendès-France was a name to conjure with, and even his worst political enemies hardly dared to attack him openly. During the late summer and early fall, his prestige stood higher than that of any other French politician since de Gaulle's triumphant return to Paris in 1944. It seemed as though he could accomplish the impossible.

What's more, this was no illusion. Mendès-France *did* accomplish the impossible. He got the National Assembly to agree to German rearmament, something which every Frenchman knows in his bones to be freighted with disaster for France. But in so doing, he broke the spell. Mendès-France the peacemaker was one thing; Mendès-France the re-creator of the *Wehrmacht* quite another. His admirers fell away in droves, his enemies ceased to fear him, his majorities disintegrated. On February 5th, his government fell. The interlude was over, and the merry-go-round was ready for a new twirl.

In retrospect, we can see that the one solid achievement of the Mendès-France government was the Indo-China peace—and even that was subsequently undermined in certain important respects. (The Geneva Agreement calls for all-Vietnamese elections to unify the country by the middle of 1956. But neither the United States nor the Bao Dai government in South Vietnam signed the agreement, and it is by now an open secret in both Paris and Saigon that France is abdicating her responsibilities in South Vietnam so that the United States can take over and, with a pretense of legality, block the holding of elections.) Aside from Indo-China, nothing was completed and everything is now subject to review and revision—the granting of autonomy to Tunisia, the economic reforms (which were largely bluff in any case), and above all German rearmament.

So, as Mendès-France bows off the French political stage, at least for the time being (we may soon see him back, but next time riding the merry-go-round), let us do him justice and thank him (a) for his share in bringing peace to Indo-China, and (b) for a most instructive lesson in French politics. And let us hope that the Senate and National Assembly together will now proceed to brighten his historic reputation by burying the great Mendèsian folly of German rearmament.

Meanwhile, all the crucial problems of France's economy and France's role in the world remain to be tackled. The experience of the Mendès-France government shows more clearly than ever that



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this can be done with hope of success only by the Left. The sooner the Popular Front is re-born, the better not only for France but for all of us.

## THE FALL OF MALENKOV

Soviet society is so constructed that nearly everything that happens has an air of surprise about it, and the fall of Malenkov from the premiership was no exception. And yet on closer examination, the surprise element usually turns out to be attached only to details, not to fundamentals, and here again the fall of Malenkov was no exception.

It has been clear for some time that important policy changes have been in the making in the USSR. The tone of conciliation and accommodation which came to characterize Soviet relations with the rest of the world after Stalin's death has been giving way to a note of stern warning as the capitalist powers, bowing to American dictation, continued their dangerous and provocative policies in Germany and the Far East. Domestically, this stiffening attitude was reflected, naturally enough, in renewed emphasis on heavy industry and military preparedness. And this, in turn, has given added urgency to the problem of finding a solution to an agricultural crisis of long standing which has its roots in the stubborn discrepancy between the rates of growth of rural and urban economies.

It is quite normal in any modern society that changes in emphasis and policy of this magnitude and importance should be accompanied by changes in leadership personnel, and in this sense Malenkov's fall was no surprise at all. What was a surprise, apart from the matter of timing, was that it was Malenkov rather than some one else who took the rap. And the reason for this being a surprise, obviously, is that Soviet policy-making is a closed book to all but a few insiders; the mere observer may guess all he likes, the fact is that he has no way of *knowing* what the policy line-up is and hence, when a change comes, who is losing and who is winning the argument.

In the larger sense, of course, the important thing is the change in policy rather than the change in personnel, and it seems to us impossible not to see in the renewed emphasis on heavy industry a sign of serious deterioration in the international situation generally. True, even in a really peaceful world, the governments of the socialist countries would have to center their economic planning for a long time to come around the development of heavy industry. But



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the fulfillment of current consumers' needs would always be a moderating factor on the pace of development and, what is more important from our present point of view, *a long-term trend toward greater emphasis on provision of consumers' goods would be wholly normal*—by which we mean that it would be not only possible but desirable from the point of view of everyone concerned. In this sense, the "new course" adopted throughout the Soviet bloc (except China) in 1953 was precisely what one would expect, provided there was no intensification of the war danger; and by the same token, the present reversion to increased stress on heavy industry is abnormal and can only reflect an unfavorable revaluation of the international situation on the part of the Soviet government.

The only bright side to all this is that there is nothing final about such shifts in economic policy, and it is obviously the USSR itself that has the greatest interest in the restoration of an international atmosphere in which the economic planners have more freedom of choice and maneuver. Hence we can expect Soviet policy to remain basically conciliatory and ready to meet the Western powers halfway if and when the latter decide to give up arming West Germany and to recognize realities in the Far East. Fortunately, irrevocable decisions have not yet been taken in either Europe or Asia, and it is still within the power of America's allies to insist on sensible policies and to make the insistence stick. The fall of the Mendès-France government and the rallying of British public opinion behind a united Labor Party in opposition to America's Formosa policy—these are encouraging signs that the present deterioration in the international situation may be relatively short lived.

There is one further aspect of the Malenkov affair which has received almost no attention in this country—at least to date—and yet which may in the long run turn out to be the most significant of all. We refer to the manner in which the change in government took place. Malenkov was not disgraced or liquidated. He resigned and was immediately assigned another responsible government post. There is no precedent for this in Soviet history. Hitherto, the Soviet system of government has been incapable of handling major leadership changes in an orderly and civilized way. In every case, shifts have involved the gross abuse of judicial institutions and processes culminating in violence and bloodshed. As of this writing, it looks as though the fall of Malenkov may mark a decisive turning point in the political development of the USSR: socialism in that vast and once-so-backward country may at last have reached that degree of stability and permanence which allows, indeed cries out for, a political system which permits an orderly change in government. If so, a very long step on the road to establishing a true reign of law in the socialist world will have been taken.



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Historians of the future may conclude that the Russian Revolution came to an end in 1955, and Malenkov, though now in eclipse, may become famous beyond his contemporaries as the symbol of the end of an era. Let us hope so. Revolutions are often necessary, but their human cost is always high, and it is better that they should come to the earliest possible end when their work has been accomplished. There can be no doubt, we think, that the Russian Revolution has accomplished its work; from now on, progress depends on the expansion of the socialist economy *and* on the full development of socialist legality.

## HOW SHOULD IT BE?

On the back page of the *New York Times* of January 8th, there appeared the following UP dispatch, datelined Follansbee, West Virginia, January 7th:

> Housewives turned a steel mill into a banquet hall tonight and served a mammoth "victory" dinner for an Ohio millionaire who bought the mill to save the jobs of their men.
>
> About 1,200 grateful residents of this tiny Ohio Valley community turned out to honor Cyrus Eaton, Cleveland railroad and steel magnate.
>
> Mr. Eaton was hailed as an "economic Santa Claus" who stepped in at the last minute and bought the former Follansbee Steel Corporation plant to prevent its dismantling and removal to Alabama.
>
> The mill is the "bread-and-butter" industry of the 4,500 residents here. It provides an annual payroll of nearly $5,000,000 for some 730 workers and contributes about 65 percent of Follansbee's municipal tax revenue.
>
> Gov. William C. Marland, the state's two United States Senators, and other high officials joined the fight of a citizens committee to prevent Follansbee from becoming a "ghost town."
>
> A long list of notables from government and industry joined Mayor Frank Basil and townsmen in paying homage to Mr. Eaton. The financier arrived earlier in the day and was greeted by 600 school children and the high school band which serenaded him as he walked into the mill to inspect the property that became his in a complicated financial transaction December 29.
>
> A corps of 150 women, most of whose husbands work in the mill, served the meal at tables set up beside heavy steel fabricating machinery. Strung across the entrance to the "hall" was



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a huge "Welcome" sign. White and blue crepe paper streamers, the high school colors, dangled overhead.

Among the uninvited was Frederick W. Richmond, 31-year-old New Yorker who bought the mill along with other assets of the fifty-one-year-old Follansbee Steel Corporation for $9,286,-620. It was his plan to dismantle the mill and sell its equipment to Republic Steel Corporation that aroused the protests that attracted Mr. Eaton's attention.

A Federal court action filed by a group of forty-seven minority stockholders of the Follansbee Corporation delayed the scheduled sale to Mr. Richmond. The young New Yorker then agreed to pass up the Republic deal and sell the mill to Mr. Eaton and his associate, Louis E. Berkman, a Steubenville, Ohio, scrap iron dealer.

One of the guests of honor with Mr. Eaton tonight was Mrs. Aline Warner of Greenwich, Conn., who offered $9,400,000 to halt the original transaction because she liked "small towns."

Governor Marland and Senators Harley Kilgore and Matthew Neely of West Virginia and Senator Estes Kefauver of Tennessee sat at the speakers' table.

Mr. Eaton, chairman of the board of the Chesapeake and Ohio Railroad, has stepped in twice before to save essential industries in small towns.

In 1946, at Portsmouth, Ohio, he formed the Portsmouth Steel Company to take over the works of another steel concern which was pulling out of town. In 1926, he put up $18,000,000 to help save the Trumbull Steel Company at Warren, Ohio, from liquidation.

No doubt about it, it's a good human-interest story, the kind that can make your spine tingle and tears come to your eyes when you think of the despair-turned-to-joy of the celebrating residents of Follansbee.

We would like to add our congratulations to everyone concerned and our best wishes to the people of Follansbee. Cyrus Eaton, whom we have always thought of as a cultured and humane gentleman, has given additional proof of his sterling qualities. And Mrs. Warner, who is willing to back up her understandable fondness for small towns with millions of dollars, surely deserves a word of commendation, too.

But there are one or two questions the story raises in our minds with a poignancy which, in some curious way, is enhanced by the happy ending: Is *that* the way questions affecting the welfare, nay the very lives, of human beings should be decided? Should the jobs of the people of Follansbee have been at the mercy of a Mr. Richmond in the first place? Should they depend on the goodwill of a



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Mr. Eaton or a Mrs. Warner? Or should the right to a job and a decent livelihood be the sacred obligation of society, written into the law of the land and practically guaranteed by a comprehensive economic plan for the full and rational use of our human and material resources? (February 16, 1955)

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## GEN. STILWELL ON THE CHINESE NATIONALISTS

*The Chinese cesspool. A gang of thugs with the one idea of perpetuating themselves and their machine. Money, influence, and position the only considerations of the leaders. Intrigue, double-crossing, lying reports. Hands out for anything they can get; their only idea to let someone else do the fighting; false propaganda on their "heroic struggle." Cowardice rampant, squeeze paramount, smuggling above duty, colossal ignorance and stupidity of staff, continued oppression of the masses. And we are maneuvered into having to support this rotten regime and glorify its figurehead, the all-wise great patriot and soldier—Peanut* [*Chiang Kai-shek*]. *My God.*

—General Joseph Stilwell, entry of January 19, 1943, *The Stilwell Papers,* pp. 190, 191.

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ROTTENBOTTOM CASTLE
OVER 600 YEARS OLD
NOT A STONE HAS BEEN TOUCHED NOTHING ALTERED NOTHING REPLACED IN ALL THAT TIME
ROTTEN BOTTOM HISTORICAL SOCIETY
REED WRIGHT + HILLIE WHITE

JOHN, THEY MUST HAVE THE SAME LANDLORD AS WE DO...



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# HENRY DEMAREST LLOYD: THE PROPHETIC TRADITION

BY HARVEY O'CONNOR

"I am," said Henry Demarest Lloyd, "a socialist-anarchist-communist-individualist-collectivist-cooperative-aristocratic-democrat." In less exuberant moments, the great American social reformer referred to himself as a socialist and a democrat. The two words, he insisted, were synonymous. As he thundered in book, speech, and letter against the iniquities of monopolistic capitalism and painted the glories of a social system animated by love and mutual aid, he was more the Hebrew prophet than the devotee of any "ism."

Lloyd's growing stature among the pioneers of social reform derives from his *Wealth Against Commonwealth,* the first book to describe the rise of Standard Oil. That was in 1894, but in 1881, while the Standard was still a brawling infant, he had sounded the alarm in his famous article, "The Story of a Great Monopoly," in William Dean Howells' *Atlantic Monthly.* That issue of the *Atlantic* went through seven printings (an unprecedented affair for such a staid magazine), so enormous was the interest aroused by Lloyd's article. Charles Edward Russell hailed it as "a turning point in our social history"; And it was Lloyd's article on "The Lords of Industry" in the *North American Review* of June, 1884, that initiated the discussion of the general monopoly question that has continued to this day.

In later years, Lloyd was dubbed the first of the muckrakers. He wouldn't have cared for that. While working on *Wealth Against Commonwealth* he wrote his mother that it "keeps me poking about and scavengering in piles of filthy human greed and cruelty almost too nauseous to handle." When the book was published, he was finished with Standard Oil and never wrote about it again. He was, he said, a reporter, and in future he would report the hope of humanity rather than its despair. From that resolve came, in his life-

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*This is the third in a series of articles on the great radicals of the past, under the editorship of Harvey Goldberg, professor of history at Ohio State University. Mr. O'Connor, a frequent contributor to MR, is the author of* Mellon's Millions, The Guggenheims, *and other notable books. His newest work,* The Empire of Oil, *will be published by MR Press in the Fall.*



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time, books on cooperation and labor arbitration in Europe and Australasia that gained him international renown. More in the vein of social protest and prophetic vision were the five books published after his death, from manuscripts and addresses, bearing such titles as *Man, The Social Creator* and *Men, the Workers.*

Although a self-proclaimed socialist and an intimate friend of Eugene Debs, Victor Berger, and other leading socialists, Lloyd never joined the Socialist Party. That he intended to is attested by a manuscript, "Why I Join the Socialists," written June 4, 1903, a few months before his untimely death at the age of 56. Summoned to lead the campaign for municipal ownership of the street railways, he caught cold on a draughty platform at a meeting called by the Chicago Federation of Labor, and developed pneumonia. His manuscript lay unfinished on his desk, his application for membership unsigned.

Lloyd was no Marxist. His zeal streamed down from the Hebrew prophets, from the undiluted precepts of Jesus, from the Enlightenment and its American apostles, Jefferson and Emerson, and from an infinite faith in the innate power and possibilities of human beings. Son of a minister, he had rebelled against formalized Christianity and had found divinity among his fellow men.

* * *

All his life, Henry Demarest Lloyd had been in the main current of reform movements, beginning in 1869 with espousal of free trade. As a lawyer just out of Columbia, he campaigned against Tammany in 1871 and fought Greeley from the Left in 1872. He had rejected the practice of law as "too technical and traditional"; money-making, he said in a youthful letter, "I despise as pursuits in themselves for themselves." He had no taste for the physical sciences and mere literary culture was not sufficiently practical. Already he had broken with the Church for "I am too unconventionally and unaffectedly pious." He chose journalism and went West to accept an offer on the *Chicago Tribune,* then a liberal paper. As financial and literary editor and editorial writer, he gained an intimate knowledge of finance and economics. Having married the daughter of a part owner of the *Tribune,* he became financially independent and after quitting the *Tribune* in 1885 devoted himself to pursuits of his own choice.

Lloyd boasted that he was a "reporter," although he was really far more than that. The facts about monopoly needed to be told, but first they must be dug out. For that task he had several advantages. His training as financial editor of the *Tribune* helped him solve many of the mysteries of Standard Oil financing. As an in-law of one of Chicago's wealthiest families, he himself was a member



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of the upper crust. He had the leisure to study, something denied those in the every-day ruck of existence. He understood the Rockefellers, for he had associated with their ilk as an equal; as a result, his contempt was bottomless. "The real truth about the Standard Oil people," he summed up, "is that they are thieves." He warned that "if merely because they are rich and powerful, a certain number of gentlemen can take possession of the property of their neighbors by criminal means, without punishment, the American Republic is a failure, and the dissolution of American society has begun, although the fact may not be chronicled by our Gibbon until sometime long after this."

His style, rich in allusion and somewhat Ruskinesque, could be crisp and sparkling as he tossed off epigrams:

> Only the rich can get justice, only the poor cannot escape it.
> The bird of freedom has always been a jail bird.
> When monopolists succeed, the people fail.
> The Standard [Oil trust] has done everything with the Pennsylvania legislature except to refine it.

Jibing patly at the McCarrans of his time, he suggested that they turn the ancient maxim, "Nothing human is foreign to me," into "Nothing foreign is human to me." Asked by a Congressional committee if he would admit anarchists as immigrants, he replied: "I wouldn't consider myself fit to be an American citizen if I wanted any man debarred on account of his opinions." In regard to millionaires: "We want nothing they have that belongs to them. We want only what they have that belongs to us." The people, he counselled, must be led along the path of political action "or else face the alternative of revolution, which I do not expect, or of a rotting down which I think is already well under way."

Lloyd was no trustbuster, yearning for simpler days. He distrusted the competition that led to monopoly as well as monopoly itself. That he pressed forward to a radical analysis can be attributed to two dominant factors: his moral revulsion from the anti-social effects of the private appropriation of the public property, and his soul-searing contacts with the effects of industrial feudalism in his home city, Chicago. The bomb that shook the Haymarket shattered Lloyd's faith in his fellow-capitalists and their brand of justice. With that tottered whatever confidence he ever had in their system.

Perhaps Lloyd was just another interested citizen as he entered Judge Gary's court to scrutinize the trial of the anarchists. He quickly ceased being an onlooker. Then, as now in the Smith Act trials, the prosecution made no effort to connect the defendants with actual violence. It was a "conspiracy," and Judge Gary ignored his black robe to act as prosecutor. The trial revolted Lloyd, and he sought



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interviews with Spies, Lingg, Parsons, and the other anarchists. As in the Communist trials of the 1950s, the anarchists of 1886 marched to their inevitable doom of "guilty." Passionately Lloyd threw himself into the fight for commutation of the death sentence, the most to be hoped for then. Trained both as a lawyer and a reporter, he analyzed the evidence and spread his conclusions by pen and tongue. At the last, he was in Governor Altgeld's mansion in Springfield pleading for the lives of the anarchists; he succeeded in the cases of Fielden and Schwab and carried the commutation papers to them in their prison cells.

Joseph Medill, publisher of the *Chicago Tribune* (which Lloyd had quit the year before), warned Mrs. Lloyd: "Do you realize what you are doing, have you and Mr. Lloyd considered how this will influence your future?" "Do you suppose," she answered, "that any such consideration will stop Henry Lloyd from doing what he believes to be right?"

Medill's warning was not exaggerated. Lloyd was ostracized by the social and financial élite of Chicago, denounced in the press along with the other "rattlesnakes" who supported "anarchy, murder and riot"; his wife's fortune was entailed, and the Lloyds were even denied guardianship and care of the property of their children. It was a foretaste of the obloquy that descended upon Governor Altgeld when in 1893 he pardoned the two men Lloyd had helped to save.

* * *

As a reformer, Lloyd had wept on the doorstep of a slum building after seeing for the first time how the other half lived. He might have continued through life, running from one current reform to another, had it not been for the glare that Haymarket shed upon the "lords of industry" and their social system. Now he turned to examine for himself what was going on, not in the upper reaches where the Standard Oil magnates reigned, but in the nether depths where their victims suffered.

*A Strike of Millionaires Against Miners* was his first book, published in 1890. In Spring Valley, Illinois, the corporations had shut down their mines to break the back of the young United Mine Workers union. The story was to be oft retold thereafter—the Rockefeller mines in Colorado in 1914, West Virginia in the 1920s, Harlan county in the 1930s. But for the first time, Lloyd lifted the black curtain that hung over the coal fields and revealed to the public the price the miners paid in starvation for their right to be union men. Spring Valley became a *cause célèbre,* its tragedies known in Europe as well as at home.



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Thereafter Lloyd was in many a strike, most notably that at Pullman where he got to know Eugene V. Debs, the man of labor who most resembled him. Of such different origin and circumstance, they were bound in a common glow, an ecstatic faith in humanity that somehow, in the world of the cobalt bomb, now seems quaint and old-fashioned. In both was the fire that kindled men and bound them in high enterprise, both were inspired prophets of a new order.

Lloyd was with Altgeld the night the governor was withstanding the demands of the railroad interests to send in the militia; President Cleveland that night nullified Altgeld's stubbornness. The federal troops poured in, and Debs was on his way to jail. By then Lloyd was widely known as a man who had union in his heart; the AFL already had had him address its Chicago convention in 1893. His speech, "The Safety of the Future Lies in Organized Labor," was reprinted by the AFL and found wide currency in the labor and farm press.

Lloyd's proudest moment came during the anthracite strike of 1902. He hurried to Scranton to offer his services again to the United Mine Workers and to their president, John Mitchell, who had been a youngster in the Spring Valley strike. The anthracite moguls would neither negotiate nor arbitrate. To Lloyd's enterprise we are indebted for publication of the classic statement of industrial feudalism. President George F. Baer of the Philadelphia & Reading had responded to a minister's letter of protest: "I beg of you not to be discouraged. The rights and interests of the laboring man will be protected and cared for—not by the labor agitators, but by the Christian men to whom God in His infinite wisdom has given the control of the property interests of the country, and upon the successful management of which so much depends." Lloyd had the letter photographed and broadcast; from as far away as south Wales money poured in to sustain the strikers' families.

For the man who had never practiced law, this, boasted Lloyd, was "my first case." He got his friend, Clarence Darrow, to come on from Chicago. The three—Mitchell, Darrow, and Lloyd—finally induced President Roosevelt to intervene and set up the arbitration machinery the coal owners for months had spurned. Lloyd had but recently returned from New Zealand and his book, *A Country Without Strikes,* his articles on arbitration in the leading magazines, and his speeches had familiarized the country with the technique, yet new here. The miners won. The three men returned to Chicago where six thousand workers greeted them in a great victory meeting in the Auditorium. Lloyd was humble. Speaking of the miners and their families, he said: "With their starving bodies they made a wall around all of us."



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To Lloyd, working people were "the only real people." With them, he found not only social salvation but personal, as well. It saved him, on the one hand from a frenetic succession of reform cause enthusiasms, on the other from sectarian sterilities. The German ideologues in New York who ran the Socialist Labor Party seemed to him out of the main stream of the democratic process (although he voted their ticket in 1896 and 1900); not until refugees from the Populist, Granger, and Greenback movements in the Middle West joined the Easterners in creating the Socialist Party around 1900 did he begin to look upon the organized socialist movement with interest. He himself had run for Congress on the Union Labor ticket in 1888 and the Populist ticket in 1894. Bitterly was he disappointed when the Populist convention of 1896 threw in its fate with Bryan and with Free Silver, "the cow-bird of the Reform movement." He had fought, along with the socialists, for a collective ownership plank and had been defeated.

Lloyd had the ability to work fruitfully with the labor movement while refusing to budge from first principles, almost a unique achievement. He felt that socialism was deep in people's hearts but had never been able to find expression in this country because wealth had already entrenched itself in the avenues of communication. The people, he said, stand "paralyzed and fascinated, as if helpless under the charm of an evil eye." At another time, he observed that "the most uncertain element in American political arithmetic today is in what form this unrepresented socialism of the United States will precipitate itself, and what channels it will make for itself when it begins to move." In despair after the Populist debacle, he prophesied that "only adversity will teach the American people,—and *they are going to have plenty of it; . . .* they will stir when they begin to suffer."

At times Lloyd entertained grave misgivings on the future of democratic action. After the Pullman strike, he felt "that in no event will the working men and farmers be allowed, no matter what their majority, to take control of the government." By his nature he hated violence, war, and revolution, and called them an abdication of reason. But he could also see that "there is only one evil greater than reform by force,—the perpetuation, the permanence of injustice."

Parliamentary democracy he held incompatible with socialism. "Some day," he wrote, "we will supersede politics by education. . . . One of the greatest disasters the world has ever seen awaits the people who attempt to administer enterprise on socialistic principles, through present parliamentary methods." Already, he observed, "the ordinary political means of voting and campaigning make it impossible for the real will and the real interests of the people to come forth as the result." Lloyd never outlined definitely his ideas on non-parlia-



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mentary democracy; apparently he hoped that through the development of cooperatives and people's business enterprises, an administration of things might succeed the government of men. But he was not a bit sanguine about such hopes for this country. Lloyd was too much the realist to imagine, as he pointed out, that the United States Steel Corporation would permit steel workers thrown out of work in McKeesport to develop their own tinplate mill. His soaring faith in the rapid growth of the socialist and cooperative movements in Europe and Australasia also ran headlong, on his return to his native land, into the realization that monopoly had dug in far too deeply here to be dislodged by methods that might be appropriate in other lands.

On monopoly, he was no reformist. The leading authority of his day on trusts in America, he disdained to offer any trustbusting proposals. "I cannot think of any remedial measure," he wrote, "to which I would attach the slightest importance except agitation to awaken the public to the necessity of themselves becoming the owners of every monopoly." That expressed exactly his idea—the people owning industry. He never confused the people with the state. There was plenty of state ownership of railroads and other utilities in Europe, he said, but that did not bring socialism. Nor did he consider government ownership achieved by buying out stockholders as much of an improvement on barefaced monopoly itself. Then the people merely exchanged corporate slavery for bond slavery; the fact was that the monopolies had stolen the public's property and deserved to be shorn of their loot. If it would help any, he would maintain the owners in the luxury they were accustomed to for the duration of their lives; that, he said, was not justice, but mercy, and mercy he cherished.

As he watched with dread the growth of monopoly, concerned not so much with the pillaging of the public's purse as with the poisoning and paralyzing of the people's will, Lloyd predicted: "Our time by all its signs manifestly approaches one of the great crises which have marked off history into eras." The American business kings were about to build a world empire beside which the British would be "a mere fly-speck," a process he called "the Americanization of the world." On another occasion, in 1900, he foresaw that "the great political word of the twentieth century will be empires—Russian and American."

* * *

Despite the gloomy outlook, Lloyd held firm to his faith in man. "I believe," he wrote, "that when the people of America begin to move, they will move with great rapidity, huge energy, and with



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corresponding success. . . . The word the world waits for today will come from those who can disclose to humanity that the perfections it has been attributing to its gods are sparks struck out of the goodnesses it feels stirring within itself." The Freudian-Niebuhrian bleakness was yet to come.

Death cut short the contribution Lloyd might have made to the development of a popular radical movement in the United States. His passion for justice, his skill in digging out the facts, his uncanny ability to strip the main issue bare from a mass of irrelevancies, his extraordinary facility as a writer, a persuader, a bringer-together, made him unique. Only Debs matched him in striking the divine spark which kindled hope and confidence among the dispossessed and gave them courage to fight on. Since then, the radical movement has tended to reflect the values created by the monopolies, becoming as hard-boiled as the system it fights, concerning itself with the quick gains to be achieved through maneuver, aiming at positions of power that prove all too illusory, neglecting to stoke the fires that Debs and Lloyd knew so well how to ignite in men's hearts.

So Lloyd is remembered mainly for his *Wealth Against Commonwealth*. Amazingly, in recent years, the book has returned to the fore as a burning issue among the professional historians. Public attention will always be attracted to John D. Rockefeller, the most ruthless and efficient monopolist of all time. For that reason, what Henry Demarest Lloyd wrote about Standard Oil in the first book on the subject will be read as long as there is monopoly; by an ironic twist of fate, Lloyd will be read only because people want to know about Rockefeller, and his own magnificent contribution to radicalism will lie barely noticed by the wayside. Nevertheless, Lloyd's book is embarrassing. There is a school among historians who insist now that monopoly was inevitable, that it fitted the times, that it was a natural evolution. Let us not denounce it; let us understand it, perhaps then it can be justified. Perhaps, too, the glittering chrome facade of American capitalism can be made as appealing morally as it is satisfying financially. It is "the American way."

For forty years, Lloyd's account of the rise of Standard Oil enjoyed the approval of historians. Charles and Mary Beard, John Chamberlain, John T. Flynn, and Allan Nevins all acclaimed *Wealth Against Commonwealth*. Nevins wrote that "it was a searching exposure, amply buttressed by detail" of "the iniquities of the trusts" and "the sordid record of business piracy" achieved by Standard Oil.

By 1940 Nevins had changed his mind. The Rockefeller papers had been opened for him as he prepared a two-volume biography. In rewriting history he found himself face to face with Lloyd. Lloyd's book must be demolished if Rockefeller were to be accepted



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as a true patron of the American way. So *Wealth Against Commonwealth* became "almost utterly worthless" as history, not to be trusted, even dishonest.

The controversy is for the historians. For the layman, it should be noted that Nevins condemns Lloyd for failing to realize that the excesses of competition were as terrible as the ravages of monopoly; the fact is that Lloyd insisted upon exactly that and proceeded to demand public ownership of the trust, rather than the fatuous "dissolution" which was decreed by the Supreme Court in 1911. "Moral strictures," says Nevins, are beside the point. But to Lloyd it was essentially a moral issue, and not one of dollars and cents: from monopoly came the corruption of public opinion and of the Republic, of which Lloyd held such fear. Lloyd could not see the "beneficial side" of Standard Oil; but then neither can many another who has had the advantage of fifty years' more acquaintance with the corporation than Lloyd had. Finally, Nevins condemns him for terming government regulation of monopoly "a dream" and "a compromise with evil." But isn't the record of the regulators being regulated by the corporations exactly what Lloyd foresaw a half century ago?

The author of *Wealth Against Commonwealth* was no "historian," Nevins concludes. Perhaps so. Nor was Isaiah when he thundered against the evils of the rich and the powerful in his day. To Lloyd, Standard was not only a corporation to be scrutinized and explained; it was a cancerous growth upon the body politic, to be excised. Far more than a historian, he was a prophet in his time, a man sensitive to injustice, to hunger, to the failure of civilization to draw out the full potentialities of humankind. His pages flame with indignation, pity, hope, and faith in his fellowmen. "Nature is rich," he cried in the opening words of his great book; "but everywhere man, the heir of nature, is poor." With Debs, he could bring together the dreams of men and women for a better world and clothe them with grandeur.

"The reformer," he wrote, "is a poet, a creator. He sees visions and fills the people with their beauty; and by the contagion of his virtue his creative impulse spreads among the mass, and it begins to climb and build."

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*John D. Rockefeller: Robber Baron or Industrial Statesman?,* in "Problems in American Civilization" series, D. C. Heath and Company, Boston, 1949. (Articles touching on Lloyd and *Wealth Against Commonwealth,* by Allan Nevins, Chester McA. Destler, reprinted from *The American Historical Review.* Destler has been working on a life of Lloyd, as yet unfinished.)

# "AGONIZING REAPPRAISAL"— OF HISTORY

BY LEO HUBERMAN

"Nothing in the world is so powerful," wrote Victor Hugo, "as an idea whose time has come." The speed with which the idea of independence, of a different economic system, has spread among millions of people is proof that its time has come.

The challenge to capitalism and the capitalists is plain, and the defenders of the system rush to their battle stations: the politicians wage cold war (and threaten a hot one); the propagandists tell lies;



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governments, state and federal, imprison dissenters; and "distinguished" scholars rewrite history.

This book* is one of the latest in a growing number of volumes which "reappraises" the role of the capitalists. Its contributors, the preface says, are members of "an international group of economists, historians, and social philosophers who for some years have been meeting regularly to discuss the problems of the preservation of a free society against the totalitarian threat." With that as background, the significance of the first two sentences in the book, by Prof. Hayek, the editor, becomes clear: "Political opinion and views about historical events ever have been and always must be closely connected. Past experience is the foundation on which our beliefs about the desirability of different policies and institutions are mainly based, and our present political views inevitably affect and color our interpretation of the past." Quite so.

The historians, these authors argue, have been unfair to business enterprise. They have been responsible for putting over a "socialist interpretation of history," which, in the case of the rise of the factory system, represents a highly distorted account of what happened to the workers. The horrible living conditions, the long hours, the hardships of factory life, the exploitation which accompanied the Industrial Revolution—this is the one-sided picture presented by the historians. They have discredited "the economic system to which we owe our present-day civilization" through the creation of "the legend of deterioration in the position of the working classes in consequence of the rise of 'capitalism.' "

And they are still at it. What Hayek terms "the widespread emotional aversion to capitalism" characterizes, these authors argue, not only the historians of the past but of the present, too. Not only the English historians but the Americans also. Thus, in Professor Hacker's contribution, we find the following:

> Where do American historians, at the present moment, stand as regards the role of capitalism in their country's development? Generally, it may be said, one notes an anticapitalist bias. (p. 76.)

The key words in that paragraph are "at the present moment." This book was published in 1954—the year when the witch hunt in America was at its peak. Surely it is not necessary to waste space in a refutation of Hacker's thesis?

Let us return, then, to the argument on which most of the book is centered—that, contrary to the "myth" created by the historians,

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* *Capitalism and the Historians,* edited and with an introduction by F. A. Hayek, University of Chicago Press, 1954, $3.00.



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the workers were better off after the Industrial Revolution than before. Since one of the greatest villains in the piece, in the eyes of the reappraisers, is Friedrich Engels, because of his association with Karl Marx and more particularly because of his great work, *The Condition of the Working Class in England in 1844,* it is interesting to quote Engels on this very point. Here is an excerpt from his article in the *London Commonweal* of March 1, 1885, entitled "England in 1845 and in 1885":

> And the condition of the working class during this period? There was temporary improvement even for the great mass. But this improvement always was reduced to the old level by the influx of the great body of the unemployed reserve, by the constant superseding of hands by new machinery, by the immigration of the agricultural population, now, too, more and more supervised by machines.
>
> A permanent improvement can be recognized for two "protected" sections only of the working class. Firstly, the factory hands. The fixing by Act of Parliament of their working-day within relatively rational limits has restored their physical constitution and endowed them with a moral superiority, enhanced by their local concentration. They are undoubtedly better off than before 1848. . . .
>
> Secondly, the Great Trades' Unions. They are the organization of those trades in which the labor of *grown-up men* predominates, or is alone applicable. Here the competition neither of women and children, nor of machinery has so far weakened their organized strength. . . . That their condition has remarkably improved since 1848 there can be no doubt. . . .
>
> The truth is this: during the period of England's industrial monopoly the English working class have, to a certain extent, shared in the benefits of the monopoly. These benefits were very unequally parcelled out amongst them; the privileged minority pocketed most, but even the great mass had, at least, a temporary share now and then. And that is the reason why, since the dying out of Owenism, there has been no Socialism in England. With the breakdown of that monopoly, the English working class will lose that privileged position; it will find itself generally—the privileged and leading minority not excepted—on a level with its fellow-workers abroad. And that is the reason why there will be Socialism again in England.

It becomes plain that though these authors tell us they are addressing themselves to the question of whether the working class was better or worse off after the Industrial Revolution, and, indeed, most of their "evidence" pertains to this point, that is not the *reason* for their book. Their real concern is to chastise the historians for preoccupying themselves with *any* of the horrors of early capitalism. The



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crime of the historians is not in their alleged faulty contrast of conditions before and after, but in their daring to link misery with capitalism at all.

One difficulty the reader faces is in trying to comprehend the reappraisers' concept of misery. None of us were present in the early days of the Industrial Revolution but many of us have a vivid memory of what the depression years were like. Were they bad? Not according to Professor Ashton who writes in his patronizing style: "Only the other day a magazine called *Womanfare* referred to the decade before the recent war as 'the hungry thirties.' A legend is growing up that the years 1930-39 were marked throughout by misery. In the next generation 'the hungry thirties' may be common form." (p. 55.)

So here we have another "legend" growing up for which economic historians in the years to come will be held to account by the future watchdogs of capitalism. Their work, poor devils, never ends.

Professor Hutt tries another angle—the workers themselves *preferred* the bad conditions. No fooling. Here's the passage:

> The salient fact, and one which most writers fail to stress, is that, in so far as the workpeople then had a "choice of alternative benefits," they chose the conditions which the reformers condemned. Not only did higher wages cause them to prefer factory work to other occupations, but, as some of the reformers admitted, when one factory reduced its hours, it would tend to lose its operatives as they would transfer their services to establishments where they could earn more. The support of the artisan class for the Factory Acts could be obtained only by persuading them that as a result they would get the same or more money for less work. (p. 182.)

Perverse people, the workers in those years. They sought out the factories where the hours were longer—just to get more pay; and they would not support welfare legislation—if it entailed a cut in wages. Perhaps they just *had* to have higher wages to stay alive? Professor Hutt is silent on this point.

But he is not silent on the Factory Acts. Their obvious result was " a sacrifice of productive power," an economic loss which "cannot be overlooked. In the case of children's labor the effects went further than the mere loss of their work; they lost their training and, consequently, their skill as adults." One suspects that the irony of Sarah Cleghorn's poem would be lost on Professor Hutt:

> The golf links lie so near the mill
> That almost every day
> The laboring children can look out
> And see the men at play.



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There was a time when Louis Hacker would not have deplored, with Professor Hutt, the passage of laws limiting child labor. That was, say, in 1937, when he wrote in his book *The United States—A Graphic History*: "In many respects, these [children and women] have continued to be the most exploited groups in the American working population. Early American industry was built upon the toil of young children. Indeed, it was not until the labor unions themselves raised their voices in a demand for public education that a reluctant public authority began to limit the hours of child labor." (p. 191.)

That was before Hacker became a Dean. Today, in the book under review, he writes:

> We must clear away the rubble that has accumulated on this ancient citadel [capitalism] since Marx and Engels and Sombart [and certainly the old Louis Hacker!] wrote. . . . And the rubble is so heavy: dialectical revolution, rationalistic spirit, human exploitation, personal greed—all the cant, fury, and misguided sentiment of one hundred years! The digging is worth our efforts, for at the bottom we shall find a system and a set of attitudes which have made possible material progress and the alleviation of human suffering. (p. 75.)

Here we have it—the real crime of the economic historians is that they have filled their pages with the rubble of "human exploitation, personal greed" and "misguided sentiment," while losing sight of what was underneath—"a system and a set of attitudes" and so on.

Now if the reappraisers were to content themselves with the argument that though capitalism brought in its wake suffering, greed, and exploitation, at the same time it made possible a rapid extension of the productive forces on a hitherto undreamed of scale so that man's ability to supply himself with material necessities and comforts has increased more than ever before in history, they would be on solid ground. No argument there. Marx and Engels paid tribute to capitalism's achievements in a passage from the *Communist Manifesto* which I quoted in an earlier article on the revisionists (The "New" History, *MR*, August, 1952, p. 114). And Lenin, too, in his major work on "The Development of Capitalism in Russia," gives the devil his due:

> We must now, in conclusion, sum up the question which in literature has come to be known as the "mission" of capitalism, i.e., of its historical role in the economic development of Russia. To admit that this role is a progressive one is quite compatible (as we have tried to show in detail at every stage in our exposition of the facts) with the fullest admission of the inevitable, profound and all-sided social antagonisms which are a feature



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> of capitalism and which reveal the historically transitional character of this economic system. (V. I. Lenin, *Selected Works*, Vol. I, pp. 380-381.)

Those arch-enemies of capitalism, Marx, Engels, and Lenin, give both sides on this important question; not so, these reappraisers who want to "clear away the rubble" and leave only the one side—the side that glorifies their system.

Hacker tells us—the latter-day Dean, of course—that underneath the rubble we shall find not only a system but "a set of attitudes which have made possible material progress and the alleviation of human suffering."

We have granted him the "material progress" but we don't grant him "the set of attitudes" making possible "the alleviation of human suffering." There he claims far too much—so much that he does his beloved capitalists an injustice. For they can fulfill their historic progressive mission only with a set of attitudes which has as its overriding objective the making of a profit, *no matter what the result in human suffering.* The essence of capitalism is greed, lust for profits; if capitalists had regard for human suffering, they could not succeed as capitalists.

That's the way capitalism worked in the 19th century and that's the way it works today. For example, in the *Report of the Select Committee on the State of the Coal Trade (Port of London) Bill,* 1838, we find an excellent sample of the attitudes of the capitalists to human suffering. Lieutenant Arnold, a former naval officer, gave testimony concerning his attempt to interest the shipowners in the plight of the whippers, workers who transferred cargoes from colliers to lighters. He said:

> In one instance I mentioned to the shipowners the hardship under which these poor men labored, and one of them said, "Sir, unless you can show us that you save us a farthing, we can do nothing in it." (p. 153.)

For the 20th century, examples come from every day's reading of the paper. I cite one of the most recent—and informative. Yonkers, New York, is a city of some 160,000 people. Last year, the Alexander Smith Carpet mills, long located in Yonkers, shut down and moved South. Was the corporation concerned about the effect of its closing on its workers, many of whom had worked all their lives in its plant? If so, this concern didn't stop it from moving where it could exploit cheaper labor.

But that's not the end of the Yonkers story. On January 15, 1955, the Otis Elevator Company issued an ultimatum to the city officials and its 2,100 employees: cut costs or we move to the Midwest.



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The Otis plant has been in continuous operation in Yonkers for 101 years. Unlike the Smith Carpet company, it does not plead poverty—on the contrary. According to the *New York Times* of January 16, Otis president, Le Roy A. Petersen, in delivering his warning to the workers, their families, and the municipal authorities stressed that the company was in a highly favorable position. He said, in discussing the company's demand that costs be cut—or else:

> These statements should not be interpreted as indicating that the Otis Elevator Company has ceased to be a profitable company or is on the verge of becoming an unprofitable one . . . the annual report for 1954 will show an increase over the previous year in sales and earnings. In addition, it is believed that our backlog will assure a profitable level of operation in 1955.

The officials of Local 453, International Union of Electrical Workers, CIO, which represents the Otis workers, issued a statement which confirms Mr. Petersen's report on the profitability of the company: "The Otis Elevator Company has averaged over $9,400,000 net profit a year for the last eight years. This represents a return of 18 percent of net worth. Most companies regard 8 percent as a high return."

The situation is such, then, that the Otis Company if it had the "set of attitudes" which Dean Hacker describes, need not destroy the livelihood of the city of Yonkers. But it doesn't have that fairy-tale attitude at all; it has a proper capitalistic one which says, in the words of Mr. Petersen, "an annual saving in manufacturing costs of several million dollars could be secured" by moving to the Middle West. Now if the city officials cooperate (by reducing taxes) and if the workers cooperate (by accepting lower wages or speed-up), then the plant stays in Yonkers. Otherwise, says Mr. Petersen, we move.

That's the attitude capitalists *must* have. This is old stuff and shouldn't have to be repeated in 1955 except that Hacker, Hayek, et al say it ain't so. Candid capitalists like Mr. Petersen talk about dollars; while the "alleviation of human suffering" hogwash comes from the "sycophants—the men who penned the economic texts to sing the praises of unhampered individual enterprise." (I am here quoting from the old Hacker: *The United States Since 1865,* Hacker and Kendrick, 1932, p. 248.)

Frank capitalists call a dollar a dollar in no uncertain terms. Thus, in his *Men Who Are Making America* (New York, 1926), Mr. B. C. Forbes quotes Julius Rosenwald, then president of Sears, Roebuck & Co.:

> Don't imagine, however, that anything we do for our people in the way of profit sharing, or enabling them to acquire stock, or providing meals at low rates, medical attention, recreation



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> grounds, vacations, and so forth, is done from philanthropic motives—not in the least. Whatever we do for our employees we do because we think it pays, because it is good business. (p. 316.)

We come, finally, to the remaining contributor to the book, Mr. Bertrand de Jouvenel. His contribution consists, in the main, of berating intellectuals because, he says, they don't love businessmen and they should. "Dare we deny," says Mr. Jouvenel, "that the immense improvement which has occurred in the condition of the toiling many is chiefly the work of businessmen?" (p. 121.)

Indeed we dare deny it. But a denial coming from me, one of the prejudiced economic historians guilty of all the sins detailed in this book, means nothing. We go then to a businessman speaking to businessmen about the same problem which concerns the reappraisers —why is there an aversion to capitalism and capitalists? I say that this aversion, unfortunately, is not widespread. Hayek et al say it is, and attribute it to a conspiracy on the part of the economic historians. But Mr. Charles Luckman, in 1946 when he was president of the giant firm of Lever Brothers, gave a different reason—one which answers Mr. Jouvenel's query, too:

> Why is it that during the past 20 years American Business has become identified *in the public mind* as opposed to everything that spells greater security, well-being, or peace of mind for the little guy? . . .
>
> "We got the reputation we have because, by and large, *we earned it*. How? Well, we *declared war* on collective bargaining. We actually *opposed* increased taxes for education. We *fought* health and safety ordinances. The record proves that we *battled* child labor legislation. We *yipped* and *yowled* against minimum wage laws. We *struggled* against unemployment insurance. We *decried* Social Security, and currently we are kicking the hell out of legislative proposals to provide universal sickness and accident insurance. . . .
>
> Where on the record is there a single example to show that Big Business ever *initiated* a legislative program of benefits for the workers? Is it not clear that they have always waited until they were *asked* or *forced* to do something?" (*Let's Build for Tomorrow,* an address at the Ninth Annual Convention of the Super Market Institute, Chicago, November 7, 1946.)

That's the record. That is history—before the reappraisers do a job on it and make angels out of people who must behave like devils, not because they are personally evil but because the capitalist system enforces Satanic behavior.

Lately, there has been cheering news for the reappraisers. It begins to look as though it will be easier in the future for them to get a "new" history—of the kind they are promoting. For their Big



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Business idols are helping in the crusade, moving in with a sure-fire weapon—money, lots of it. Thus, on January 6, Du Pont announced the creation of a fund of $291,000 to be given to universities, part of an $800,000 program of aid to education for 1955-1956. And twelve days later, General Motors came up with an announcement of a $2,000,000 fund providing scholarships to promising students, and contributions to 306 colleges and universities. This followed an announcement by General Electric of a contribution of over $1,000,000 for the current year. The National Association of Manufacturers, in a recent study of corporate giving to education, reports $60,000,000 contributed in the year 1953.

Of the trend toward gifts by corporations to institutions of higher learning, Harvard Professor Seymour Harris said in a book review in the *New York Times* of October 24, 1954:

> Unfortunately, to be considered against these contributions, some large business corporations force upon school children and upon unsuspecting teachers and administrators a highly selective and unscientific brand of economics (the business creed). . . . These corporations indoctrinate school children with theses such as that business alone is competitive; only Government and labor are monopolistic; most taxation is robbery.

But to guard against the remote possibility that some college students will slip through their four years without getting a proper education, further precautions must be taken. That, at least, is what Socony-Vacuum must have had in mind in its employment pamphlet recently issued to graduating college students looking for jobs. No beating around the bush for Socony—they lay it right on the line:

> Personal views can cause a lot of trouble. Remember then to keep them always conservative. The "isms" are out. Business being what it is, it naturally looks with disfavor on the wild-eyed radical or even the moderate pink.

This lesson, we may be sure, won't be lost on the graduate students—nor on the economic historians. They are already well aware of the fact that the bell of the new history, rung by the reappraisers, tolls for them.

---

*As toward their faculties they [college presidents] have been autocrats, because the age has demanded autocracy here; as toward the millionaire they have been sycophants, because the age has demanded sycophancy here.*

—John Jay Chapman, *Learning and Other Essays*



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# WORLD EVENTS

*By Scott Nearing*

## "Our Expanding Economy"

President Eisenhower, in his press conference of January 19, 1955, called attention to the reduction of federal spending, as represented by his $62 billion budget for the next fiscal year. Then he said, for quotation: "We have an expanding economy. We have an economy . . . that reflects the confidence and hope of our people, the belief of our people. . . .The outlook, certainly from the standpoint of our internal economy, is good."

Even if "we have an expanding economy," it is necessary to remember two things: first, that expansion is not in itself a desirable thing. In its issue of December 24th, the *Wall Street Journal* pointed out that public and private debt in the United States had reached the unprecedented and dangerous level of $600 billion. On November 26th, *U.S. News and World Report* reminded its readers that house owners in this country now carry $75 billion of mortgages. Expansion, accompanied by growing indebtedness, is not necessarily advantageous.

Second, the recent economic expansion has been uneven. The President admitted, at the same press conference, that there were various depressed areas in the United States. His economic advisers agree that although total production is rising, unemployment is growing and farm income is falling. A scrutiny of the *Federal Reserve Bulletin* throws some interesting sidelights on the President's "expanding economy."

Federal Reserve figures cover the period from 1929 to the present. The latest year for which completed figures are available is 1953. Ten years takes us back to 1943 and the peak of war expenditures. The last pre-war year, 1941, is more representative. Twenty years takes us back to 1933 and the depth of the depression. 1929, the last year of high productivity before the Great Depression, is a more reasonable choice.

Let us use figures for 1929, 1941, and 1953, all years of reasonably high productivity, and compare them as to certain phases of our unevenly expanding economy. The figures are in billions of dollars, which have altered greatly in purchasing power over the years. While this factor should be remembered, it does not alter the unevenness of economic expansion.



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UNITED STATES ECONOMY

*(Figures in billions of dollars)*

| | *1929* | *1941* | *1953* | *1953 times 1929 figures* |
|---|---|---|---|---|
| 1. Gross national product | 104 | 126 | 365 | 3½ times |
| 2. National income | 88 | 105 | 305 | 3½ times |
| 3. Personal consumer spending | 79 | 82 | 230 | 3 times |
| 4. The Gap between (1) and (3) | 25 | 44 | 135 | 5½ times |
| 5. Gross private domestic investment | 16 | 18 | 51 | 3 times |
| 6. Federal Government purchases of goods and services | 1.3 | 17 | 60 | 46 times |

Gross national product and national income in 1953 were three and one half times the 1929 rate. Personal consumption and domestic investment spending were three times the 1929 figure. These four items were fairly well in line. The Gap tells a somewhat different story.

The Gap is the difference between the gross national product of goods and services and spending by consumers. The United States economy, in a given year, turns out a certain amount of goods and services. In 1929 it came to $104 billion. During that same year consumers bought $79 billion worth of goods and services, leaving a gap of $25 billion (a quarter of the total product). Unless the gap is filled and the products of 1929 are moved from the market, the year 1930 would report a surplus of goods and services (a growth of inventories) and production in 1930 would be cut back (depressed) until the surplus of the previous year was reduced.

Main features of the economy in 1953 showed a three-fold relationship as compared with 1929. The Gap was more than five-fold. Other things being equal, production would have been cut back, in 1953, until the $135 billion surplus was disposed of, which would have meant a depression far deeper than that following 1929, when The Gap was $25 billion.

But other things were not equal. While the main economic components in 1953 were about three times the same components in 1929, Federal Government purchases were 46 times as great as in 1929. It was this government intervention, and this alone, which prevented a depression in the 1950s far more disastrous than that of the 1930s.

United States economy, unaided, was unable in 1953 to close The Gap. The $24 billion which it invested in producers durable equipment that year took care of less than one quarter of The Gap. New construction in 1953 ($25 billion) covered less than another quarter of The Gap. There remained $86 billion which private enterprise could not fill. The emergency was largely met by the $60 bil-



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lion of federal purchases of goods and services. It was this government subvention and this alone which stood between United States free enterprise economy and catastrophic depression.*

Incidentally, of the $60 billion of federal purchases in 1953, $52 billion went for "national security." So it was not merely government spending, but government spending for war which played the leading role in staving off a major 1953 depression.

The United States has an expanding economy, but it is expanding unevenly, and even dangerously, from the side of the debt structure. Worst of all, the continued expansion is based on spending for war, so that it is, in effect, not a peace economy but an expanding arms economy. Can thinking, socially conscious people place their confidence and hope in such an economic set-up, or assert that the outlook is "good"?

## Economic Dry Rot

An economic gap has faced private enterprise from its beginnings. With economic expansion, The Gap has widened. In 1929 it covered one-fourth of the United States national product. Today it covers one-third. The Gap means that the economy is suffering from a creeping economic paralysis which can be plastered over but not checked by expanding credit, by increasing debt, by creeping inflation—three forms of economic dry rot.

Over long periods, economic dry rot goes unnoticed, but a little probing below the surface reveals its deadly inroads. Such a probing was undertaken recently by the National Planning Association into *The Economy of New England*. The work was done under an advisory committee chairmaned by one of Harvard's top-flight economists, Sumner H. Slichter. The results of the probing are announced, oh so tactfully and gently, and in the best bedside manner of a high-priced surgeon who has had a look into respectability's abdomen and found it netted with cancer. Yale University Press published the study in 1954.

Briefly and bluntly, the investigators found that New England, the oldest center of United States private enterprise economy, is suffering from a mortal case of economic dry rot. The natural resources of New England have been steadily and progressively depleted. This holds true for the forests, the agricultural land, the meagre mineral resources, and the fisheries. The four basic manufactures of early New England—shipbuilding, textiles, boots and shoes, and hardware, have moved or are moving toward the sources of raw material and

* Other gap-filling items are net foreign investment and state and local government expenditures. Taken together, these increased threefold between 1929 and 1953.—ED.



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energy and toward markets which increasingly are located outside of New England. These losses in New England economy are offset by gains in New England's vacation business.

The authors of the study sum up the matter by pointing out that in 1950, 4 percent of New England's labor force was engaged in primary economy (farming, forestry, and fishing); 44 percent was engaged in secondary economy (manufacturing and construction); and 52 percent was engaged in tertiary economy or "service occupations," including transportation, communication, distribution, education, and personal service. Time was when primary economic activities occupied the bulk of New England's manpower. Deforestation, depletion, and erosion have reduced this primary economy to a position of inconspicuous unimportance. Today New England is importing its lumber and food as well as its metals, fuels, and fibers, and paying the bill chiefly through its tertiary economy.

The authors of the New England study, whistling to keep up their courage, point out that Colin Clark, in his *Conditions of Economic Progress,* concluded that this cycle of economic decay from farming, forestry, and mining, to serving drinks, cutting hair, and taking in washing is observable throughout the western world. There is much evidence to support this position. We may turn, for example, to a recently published book by R. P. Dutt, *The Crisis of Britain and the British Empire* (London, 1953; New York, 1954). While Dutt devotes the major part of his study to the disintegration of the British Empire, he finds the same factors of internal economic decay—depletion, erosion, and the degeneration of the economy—present in Old England that the National Planning Association reports in New England.

New England, in a word, has gone the way of Old England—deforestation, progressive depletion of minerals, soil erosion, the importation of food and raw materials which are paid for, if possible, by an increase of the service occupations and tourism. Such changes are regressive. Followed to their logical conclusion, economies of this kind go on the rocks when the practice of doing the neighbors' washing has become universal.

This end result is, of course, as absurd and self-destructive as the entire grab-and-keep struggle which supports and justifies free-enterprise economy. Long before an all-laundry economic level has been reached, the free enterprisers will have adopted the equally absurd policy of turning from the production of food, clothing, and housing to the large-scale manufacture of war equipment as a means of preserving and expanding a bankrupt economy. The adoption of the military alternative has done much to undermine and gut



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British economy and it is having, and will continue to have, a like effect on the economy of the United States.

### The Call to War

As January, 1955, drew to a close, two United States generals faced each other across the continent. On Monday, January 24th, President Eisenhower asked Congress for the power to intervene militarily in the Chinese Civil War. Supporting this request, the President said: (1) That "the most important objective of our nation's foreign policy is to safeguard the security of the United States." (2) That Formosa is an essential link in "the island chain of the western Pacific that constitutes, for the United States and other free nations, the geographical backbone of their security structure in that ocean." (3) That "when the Communists committed armed aggression in Korea in June, 1950, the United States Seventh Fleet was directed to defend Formosa from possible invasion from the Communist mainland." (4) That "these considerations are still valid. The Seventh Fleet continues under presidential direction to carry out that defensive mission." (5) That "Communist China has pursued a series of provocative political and military actions, establishing a pattern of aggressive purpose. That purpose, they proclaim, is the conquest of Formosa." (6) That "the situation has become sufficiently critical to impel me, without awaiting action by the United Nations, to ask Congress [to authorize] the use of the armed forces of the United States if necessary to assure the security of Formosa and the Pescadores." (7) "That in the interest of peace, therefore, the United States must remove any doubt regarding our readiness to fight, if necessary, to preserve the vital stake of the Free World in a free Formosa, and to engage in whatever operations may be required to carry out that purpose."

Peace is threatened in the western Pacific, the President argues. The United States should go to war if necessary, in order to keep the peace. This argument is based on the assumption that military preparations and military combat, leading to victory, open the way for order and peace in the world. The last five decades of military preparations, major wars, loudly acclaimed victories, and the present imminent military action which threatens to exterminate the human race, are a decisive and sufficient answer to the Eisenhower argument.

### The Threat of Annihilation

Four days after President Eisenhower presented his fight-if-necessary argument to Congress, he was answered by General MacArthur at an American Legion dinner in Los Angeles. Any modern war fought with modern weapons is a Frankenstein monster which will destroy both sides, General MacArthur told the Legionnaires.



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"If you lose, you are annihilated. If you win you stand only to lose."

MacArthur traced the rise of war from a combat between individuals to the nation in arms, and the evolution of weapons, in his own military experience, from the rifle, bayonet, or sword, through the machine gun and heavy artillery, to the aerial and the atomic bomb. Science and technology "have raised the destructive potential to encompass millions. And with restless hands we work feverishly in dark laboratories to find the means to destroy all at one blow. But this very triumph of scientific annihilation . . . has destroyed the possibility of war being a medium of practical settlement of international differences."

At one point in his analysis, MacArthur turned from military history to economics and sociology. "The hundreds of billions of dollars now spent in mutual preparedness could conceivably abolish poverty from the face of the globe. It would accomplish even more than this; it would at one stroke reduce the international tensions."

General MacArthur continued: "It is no longer an ethical equation to be pondered solely by learned philosophers and ecclesiastics but a hard core, one for the decision of the masses whose survival is at stake." On this point, he added, "The ordinary people of the world . . . are all in agreement on this solution; and this perhaps is the only thing in the world they do agree upon. But it is the most vital and determinate of all."

Turning from the masses to their masters, General MacArthur commented:

> The leaders are the laggards. The disease of power seems to confuse and befuddle them. They have not even approached the basic problem much less evolved a working formula to implement this public demand. . . . Never do they dare to state the bald truth that the next great advance in the evolution of civilization cannot take place until war is abolished.

The General then asked: "When will some great figure in power have sufficient imagination and moral courage to translate this universal wish—which is rapidly becoming a universal necessity—into actuality?"

Whether or not the leaders grasp their opportunities, one impressive fact is inescapable, the people at large are aware of the danger which they face. "Strange as it may seem," MacArthur asserted, "it is known now by all common men."

It was this knowledge which swept the Russian Tsars from history's stage in 1917 and lifted the Chinese People's Republic into its place among the Great Powers in 1949. It is this knowledge, spreading among the masses of mankind, that will replace the insane struggle for pelf and power by an acceptable plan of brotherly sharing.



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on

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## LEO HUBERMAN

on

### BEHIND THE LABOR PROBLEM TODAY

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——::——

## *New York*

*What is the secret of the sudden rise to wealth of the thousand oil millionaires of Texas and the Southwest?*

*Why was "dollar diplomacy" in oil considered dirty in the 1920s but a weapon of the "free world" now?*

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## HARVEY O'CONNOR

on

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(*continued from inside front cover*)

As we go to press, we receive a resolution signed by 758 students of Hitotsubashi University and Tsuda College, Tokyo, protesting against the jail sentence imposed on Paul Sweezy for refusing to answer questions in the "little witch hunt" being conducted by the State of New Hampshire. "With many other people," the resolution reads in part, "we send our hearty encouragement to Mr. Sweezy and a resolute protest against the suppression of freedom in the United States." We take this opportunity to return warmest thanks and greetings. And let us not overlook that if one tenth as many students were to sign a resolution of protest in this country, it would be real news.

The status of the Sweezy case is that argument on appeal to the New Hampshire Supreme Court is now tentatively scheduled for April 5th. Meanwhile, the record on which the appeal is being taken has been printed: it includes, in addition to various legal documents, the complete transcript of hearings and court proceedings that have occurred in the case to date. We have a limited number of extra copies which, in order to raise funds for the defense (and, immediately, to defray the costs of printing), we are offering for sale at $10 a copy. We would specially like to see this document deposited in the larger law and reference libraries where we think it will prove useful when the historians and social scientists get around to seriously studying the great witch hunt of the twentieth century. If you can, will you either give a copy to your local library or persuade the librarian to purchase one? This is a clear case of killing two birds with one stone.

Because the manuscript of "China's Economic Progress," by Political Economist (MR, February), arrived late and had to be rushed into print, certain errors crept into the published version. Here is the list of errata: Page 353, line 17: "15 percent" should read "10 percent"; page 354, line 20: "steel" should read "pig iron"; page 354, line 21, "4.8" should read "7.1"; page 256, line 23: "22 percent" should read "220 percent."

We have an interesting mailbag this month, from which we select all too few quotes. From Wilson MacDonald, one of Canada's best-known poets: "I am taking no other magazine as my income is less than that of a laborer in Canada. But I *must* have truth." From Gunther Stein, author of *The World the Dollar Built* which we published and regard as one of the best books yet written on postwar America: "I congratulate you on your December article, 'Reflections on the Economic Outlook,' one of the most important and excellent pieces MR—or any other magazine—has had for a long time. . . . By the way, it may interest you that another faithful MR reader here in Geneva [Switzerland] came up to me a few weeks ago, very excited, to tell me I *must* read this article, which explains many things people did not understand about America." From an upstate New York doctor: "I wish to state categorically that the contents of this [December] issue is about the best I have yet read—and that is saying a lot for a very excellent magazine. . . . John Peter Altgeld—boy, what a story! Not near enough Americans know this story.'" From a California subscriber who has been laid up following a stroke and has only recently been able to get around again: "I know I have not sent you my promised $2 a month, but I assure you I couldn't spare it, as my old age pension is all I have to go on, and in sickness it's nip and tuck to make it reach for necessities. My brother has been to visit me, and when he left he left me a few extra dollars, of which I am enclosing these six. I know how badly we need the educational help MR gives us."



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